with certain permanent social welfare purposes (public charity, documents for paupers, physical training etc.).

Social credit grants.

The vast credit schemes launched by the Government were mostly of social significance. The most extensive debt adjustment in Hungary since the first world war was aimed at the promotion of the social welfare of the agrarian population, which was gravely affected by the world-wide agricultural slump. The indebtedness of farmers and the fall of prices was so great that it was beyond the Government's ability to remedy the situation according to established financial and economic policies. In the beginning the Government came to the aid of the farmers by lowering the interest rates and prohibiting public sales of real estate. Later the policy of protected ownership was instituted, and the Government extended the amortization of farm debts over a longer period.

Part of the short term bank loans contracted by smaller farmers were paid by the Government. Indebted farmers owning less than 70 acres of land were especially favoured by the adjustment of their debts. The social implications of the protected ownership system will be discussed in the chapter dealing with agriculture. [1]

Interest rate reduction.

When lowering the interest rates on farm debts the prime consideration was that the burden of the poor should be lighter than that of the rich. We mention here that the general lowering of interest rates benefited the whole community, and further, that the interest rates on small loans contracted with state pawnshops were reduced to a third.

[1] [cf. category 116, pp 39-51 -- Analyst]

425 sional reform, but only by carrying out a continuous and
241 progressive programme.

The System of Protected Ownership.

241 The greatest blemish on the economic and social
426 structure of the agrarian community was the heavy in-
458 debtedness of the farmers. During the prosperous years after 1927 with their favourable prices and ready market, the farmers contracted extensive debts for making capital improvements in their land. The precipitous drop in farm income due to the financial crisis of 1931 left some of the farmers unable even to meet the interest payments on their debts. Wholesale foreclosures threatened, and the world-wide depression barred any hope of tens of thousands of farmers remaining secure in their tenure without outside help.
241 The Government, fully cognizant of the danger threatening
426 them, came to their rescue by first reducing the interest rate
652 on farm debts and then by prohibiting foreclosures. When these measures were found to be insufficient, the Government created the system of 'protected ownership' Under this system the interest payment relief and prohibition of foreclosures were continued and the Government also made provision for the definitive settlement of farm debts.

The small farmers were the ones who reaped the greatest benefits from this system. Among other grants-in-aid the Government paid gratuitously part of the short term bank debts of those farmers who cultivated less than 20 Hungarian acres of "protected" land. This was done before the general settlement of the farm debts took place, which covered these farmers also. During this settlement the Government assumed as a book debt that part of the farmers' indebtedness which was in

15: Kárpáti G-3 (no date) 1943 EC1 Hungary EC1

excess of their registered yearly income multiplied by forty The owners of farms of less than thirty Hungarian acres received further aid by having their short term indebtedness under the above limit converted into long term debts repayable in ten years by annual instalments which did not exceed 4·5% of the outstanding amount. Another regulation favoured the owners of less than fifty acres of land by releasing them from any joint obligation which they undertook in the interest of a third party. The protected ownership system proved so successful that the financial position of the protected owners became strong enough to enable them to repay their debts in part or in some cases in full. When the debtor made payments on the capital borrowed, the Government awarded him an amortization grant. The amount of this grant was 10% —15% of the capital repaid by the larger estates and 20% by farmers owning less than ten acres.

The legal measures regarding protected ownership substantiated in every respect the social ideals upholding the interests of the small farmer. In order to verify this statement we give the following figures:

In Hungary the majority of the 78,000 farms covered by the protected ownership system were farms of less than twenty Hungarian acres. The number of the latter reached almost 69,000 and were owned by almost 120,000 people. If we take their families into consideration it means that over half a million people benefited by the system. To sum up: the protected ownership system saved from ruin the means of livelihood of half a million people, because if the Government had not come to their aid this multitude would have been added to the numbers of the landless.